



Commodity Monitor

October 22, 2021

Headlines

- Oil prices buoyed by global energy crunch
- Zinc prices spike to 14-year high

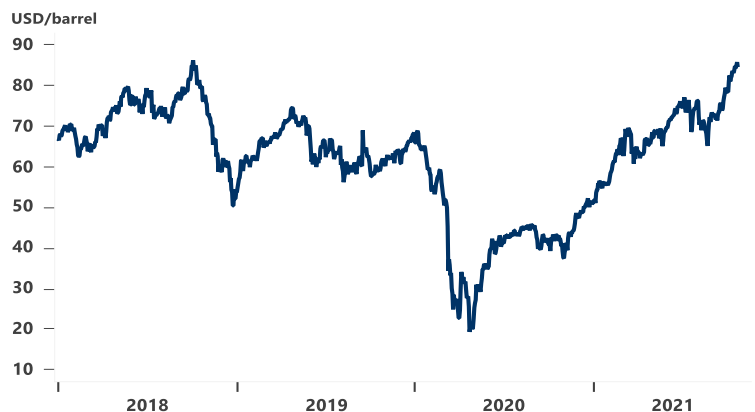
Content

Crude oil & diesel	2
Agricultural commodities	4
Base metals	9

Commodity		Price	Change *
Brent	USD/bbl	84.47	2.52
Diesel	USD/t	734.25	2.94
Wheat	EUR/t	276.5	2.79
Corn	EUR/t	247.25	-1.10
Rapeseed	EUR/t	686.25	2.81
Soybean meal	EUR/t	280.168	2.04
Copper	USD/t	10078.5	7.36
Aluminium	USD/t	2897	-1.73

* change in % in the last 14 days

Chart of the Week



Brent crude has surged to three-year highs (Source: Macrobond, CSOB).

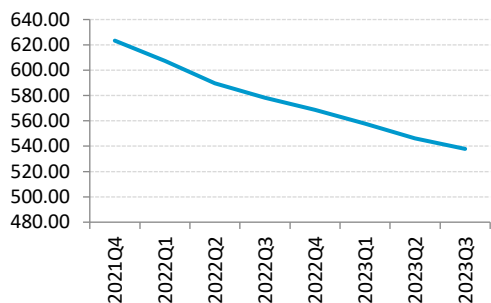
Calendar

Geo	Date	Time	Event	Period	Estimate		Consensus		Previous	
					M/M	Y/Y	M/M	Y/Y	M/M	Y/Y
US	10/27/2021	16:30	EIA weekly gasoline stk	mdbl	10/2021					
US	10/27/2021	16:30	EIA weekly distillate stk	mdbl	10/2021					
US	10/27/2021	16:30	EIA weekly crude stocks	mdbl	10/2021					
EC	10/28/2021	13:45	ECB meeting - repo rate	%	10/2021					0.0
US	10/28/2021	14:30	GDP	%	3Q/2021 *A			2.30		6.7
EC	10/29/2021	11:00	GDP	%	3Q/2021 *A					2.2 14.3
US	11/3/2021	16:30	EIA weekly gasoline stk	mdbl	11/2021					
US	11/3/2021	16:30	EIA weekly distillate stk	mdbl	11/2021					
US	11/3/2021	16:30	EIA weekly crude stocks	mdbl	11/2021					
US	11/3/2021	19:00	FOMC meeting	%	11/2021					0.3

Crude & Products

Diesel swap curve

EUR/t *



Period	Diesel * (EUR/t)
2021M11	625.79
2021M12	619.29
2022M01	613.07
2022M02	607.64
2022M03	601.45
2022M04	594.81
2021Q4	623.35
2022Q1	607.39
2022Q2	589.62
2022Q3	578.15
2021FY	623.35
2022FY	585.89

* indicative swap price

Oil prices continue to rally with Brent crude climbing to \$85 a barrel, reaching three-year highs amid supportive demand and supply developments. After a bullish impulse from the US hurricane Ida-related tightness in recent weeks, the global oil market has surged on the back of spiraling natural gas prices that make oil a more economic fuel choice for power generation and some industrial applications (for example, European natural gas is currently trading at prices equivalent to around \$200 a barrel of crude oil on an energy contained basis).

Along with an easing drag from the spread of the Delta variant in Asia, soaring natural gas prices are creating a meaningful bullish catalyst for the oil market in the coming months. Despite some challenges to gas-to-oil demand substitution (e.g. infrastructure constraints and below-average petroleum product inventories), we estimate an incremental oil demand boost from gas-to-oil substitution (grid and industrial) to be around 1 million barrels per day (under the assumption of a seasonal normal winter). This will likely keep the oil market in a deficit in Q4 2021 and neutralise the previously expected surplus in Q1 2022.

On the supply side, the recent developments are similarly constructive to higher oil prices. First, the OPEC+ alliance agreed to stick with a plan to raise oil output modestly and gradually (400,000 barrels per day) in November, defying expectations for a more substantial ramp-up amid surging oil prices. In addition, the alliance maintains its over-compliance with production curbs, helping crude oil supplies to remain tight. Looking ahead, we expect the alliance to remain cautious with easing the output cuts, yet flexible enough to stay on top of rapidly shifting economic forces. Second, the US shale oil response to higher oil prices has become significantly less elastic after the outbreak of the pandemic as a result of stricter capital discipline. With a more subdued response function adopted by the US shale oil producers, we believe that OPEC+ is unlikely to battle for the market share at least until mid-2022.

Overall, the fundamental outlook has remained favourable and turned particularly bullish over the near term. Against this background, oil inventories are set to decline further, supporting oil prices at around \$80 a barrel, with possible spikes towards and even above \$90 a barrel in the months ahead. Oil prices are expected to ease gradually to the \$65-70 range by the end of 2022, driven by the normalisation of demand and supply conditions. Still, uncertainty surrounding our outlook remains elevated with short-term risks clearly tilted to the upside.

Besides a growing upside risk from gas-to-oil substitution (in a case of a colder-than-normal winter), any supply disruptions would create a bullish catalyst (especially with the current low inventory cushion). In the medium to long-term, structural underinvestment in upstream oil remains a major upside risk. On the other hand, possible demand destruction from elevated oil prices, together with new virus variants/lockdown measures represent the main downside risks to our outlook.

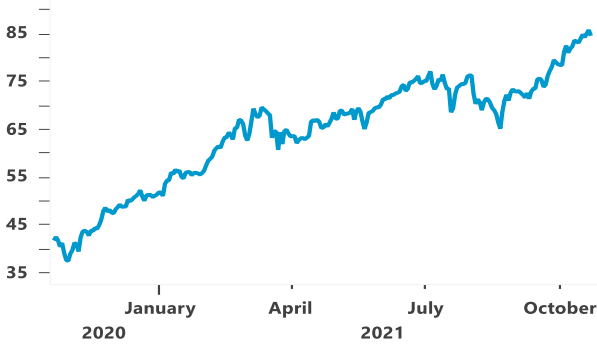
Global liquid fuels production & consumption

mb/d

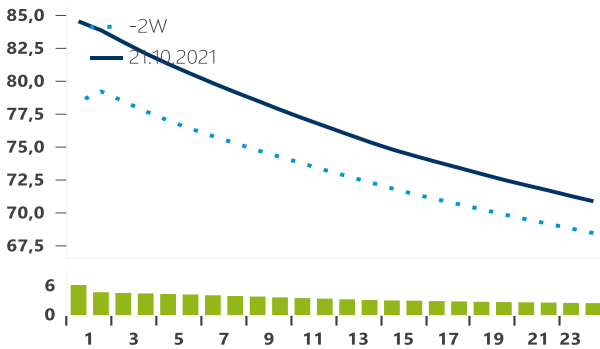
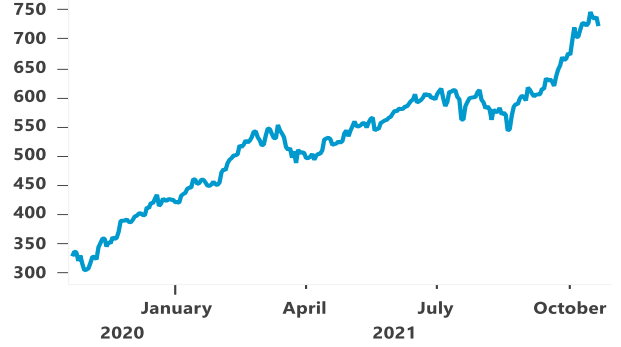
	2019FY	2020FY	2021FY	2022FY
Countries outside OPEC	65.99	63.48	64.14	67.42
OPEC	34.67	30.72	31.70	33.89
Total production	100.67	94.20	95.84	101.31
change		-6.47	1.64	5.47
OECD	47.78	42.01	44.34	45.72
non-OECD	53.36	50.39	53.12	55.23
Total consumption	101.14	92.41	97.46	100.95
change		-8.74	5.05	3.49
Inventories change	-0.48	1.79	-1.62	0.36
Brent, average, USD/barrel	64	42	72	74

Dark blue figures are forecasts. Source: EIA, CSOB.

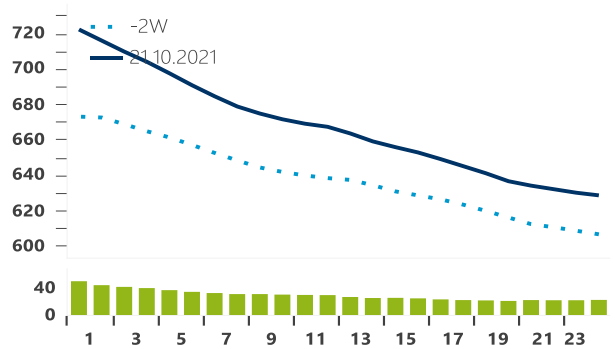
Brent (ICE, USD/barrel)



Gasoil (ICE, USD/t)

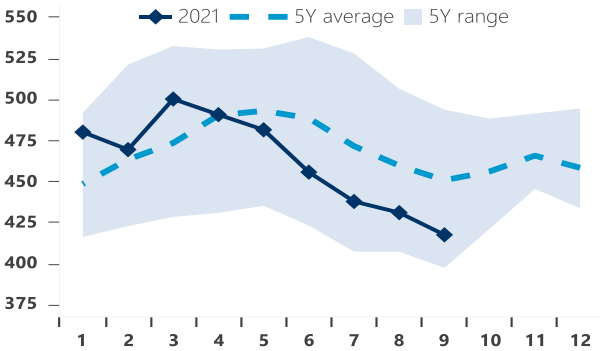


Forward curve (top) & 2W change (bottom).



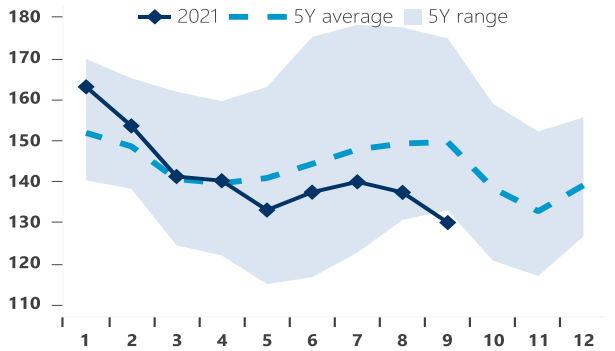
Forward curve (top) & 2W change (bottom).

Commercial crude inventories, USA (000's barrels)



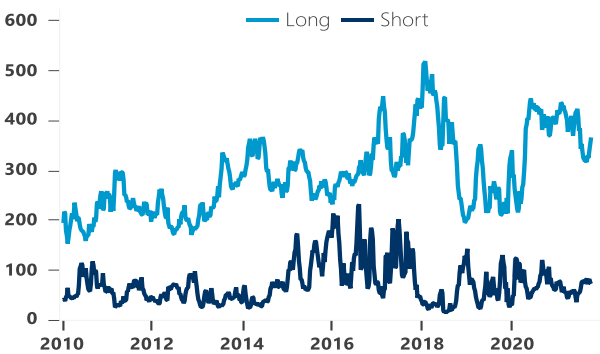
Seasonal plot, 2016 - 2021. Monthly averages.

Commercial heating oil inventories, USA (000's barrels)



Seasonal plot, 2016 - 2021. Monthly averages.

Speculative position, WTI futures



Money managers position, WTI futures (thousand contracts).

Producers short position, WTI futures



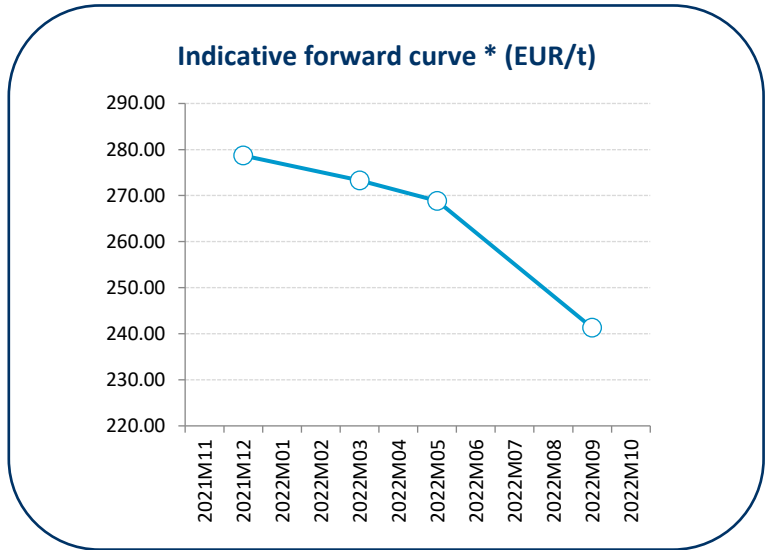
Producers short position, WTI futures (thousand contracts).

Agricultural Commodities

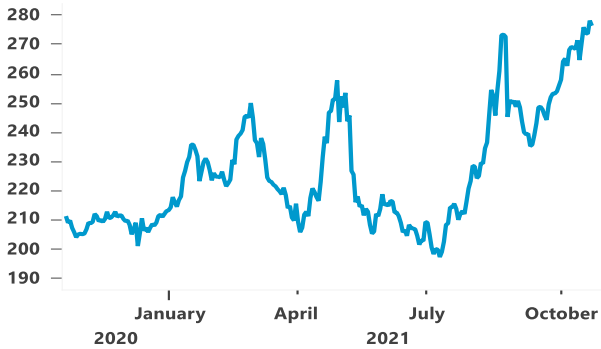
Wheat

Period	Wheat (EUR/t) *
2021M11	
2021M12	278.69
2022M01	
2022M02	
2022M03	273.27
2022M04	
2022M05	268.87
2022M06	
2022M07	
2022M08	
2022M09	241.30
2022M10	

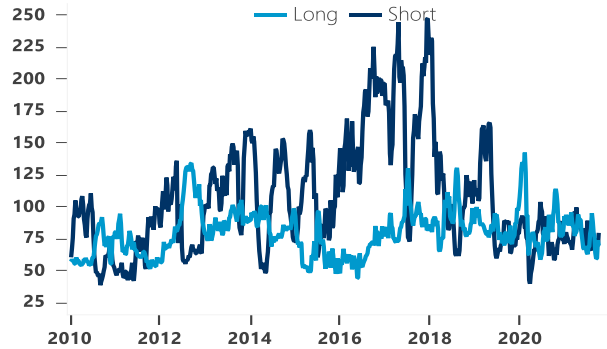
*Indicative price of futures contract



Wheat (EURONEXT, EUR/t)

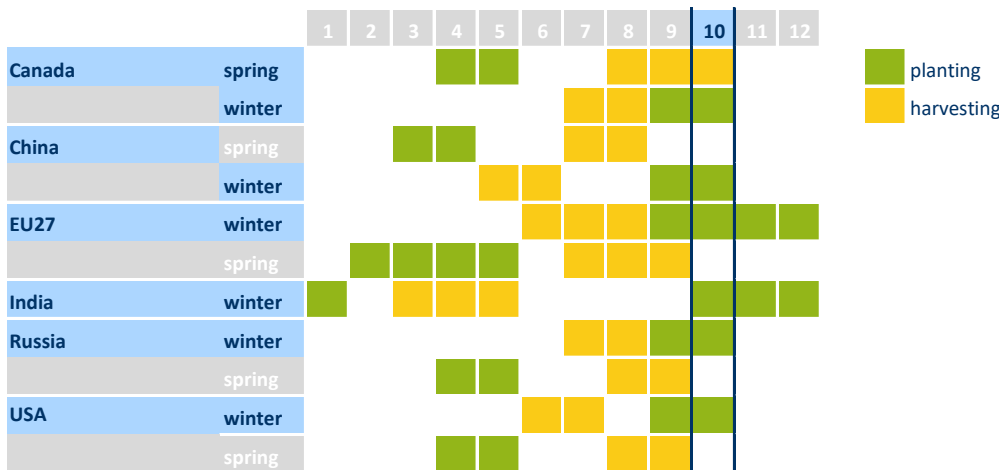


Speculative position (CBOT, thousand contracts)



Money Managers' positions in wheat futures, CBOT.

Monthly planting & harvesting calendar, key producers

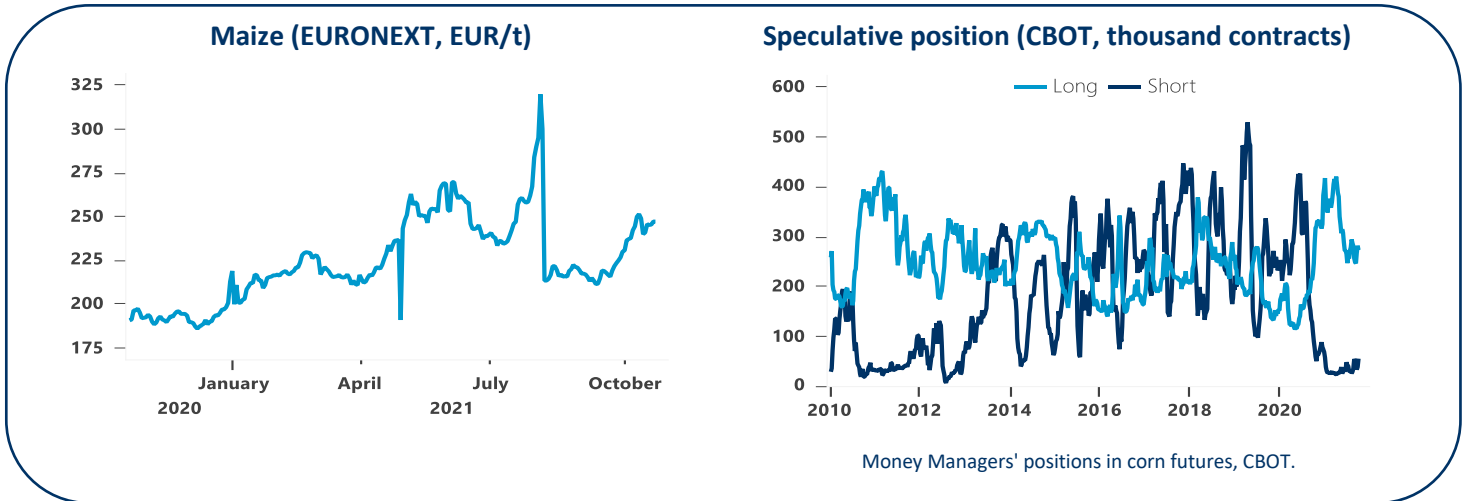
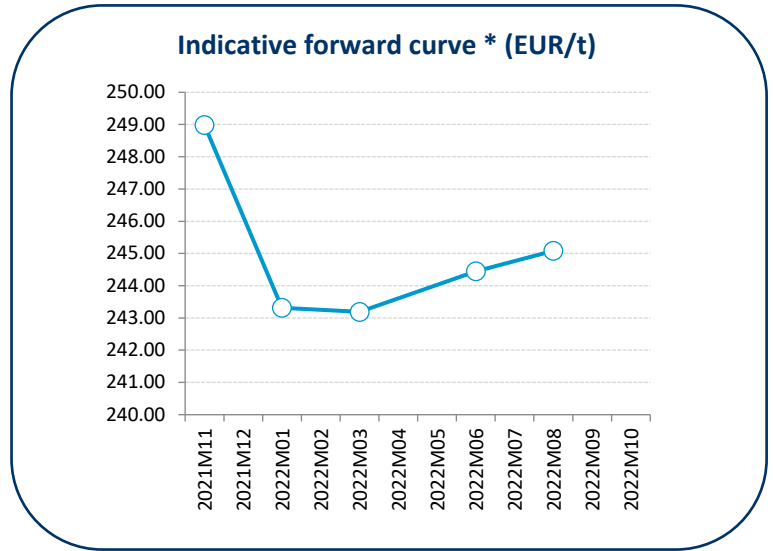


Source: Bloomberg Finance L.P., USDA, CSOB

Maize

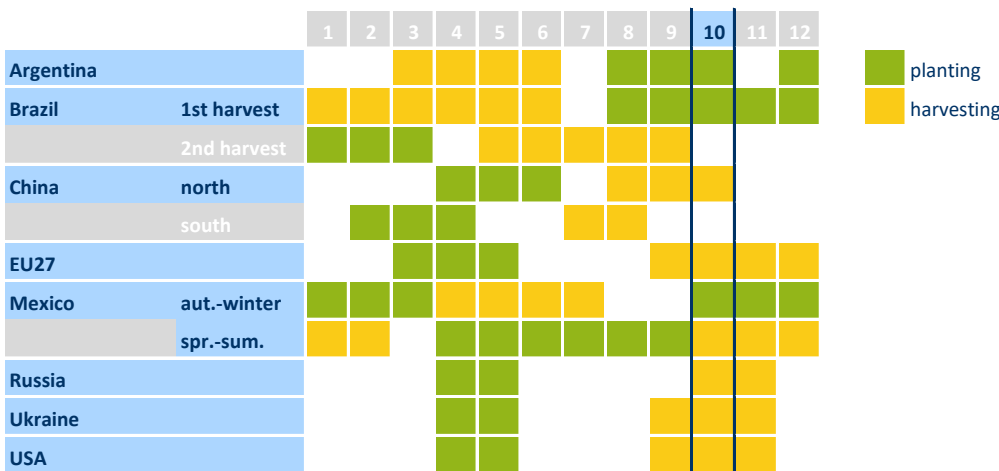
Period	Maize * (EUR/t)
2021M11	248.98
2021M12	
2022M01	243.32
2022M02	
2022M03	243.19
2022M04	
2022M05	
2022M06	244.45
2022M07	
2022M08	245.08
2022M09	
2022M10	

*Indicative price of futures contract



Money Managers' positions in corn futures, CBOT.

Monthly planting & harvesting calendar, key producers

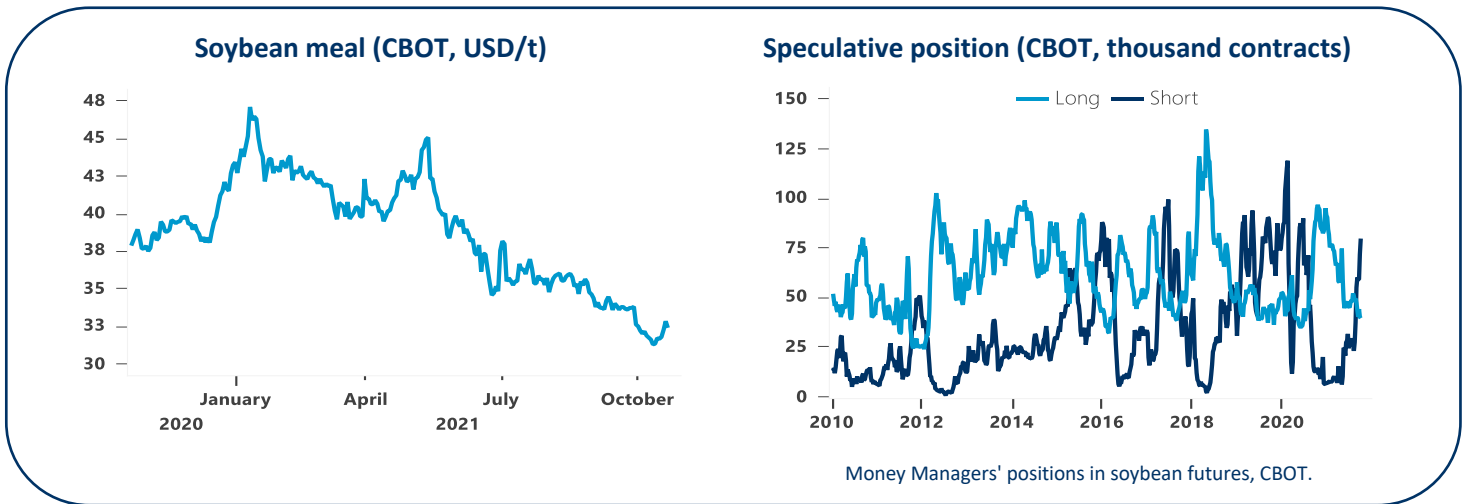
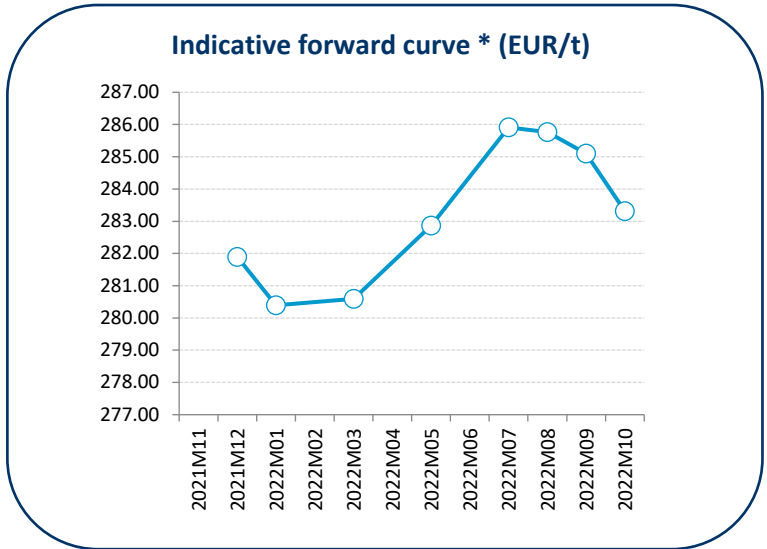


Source: Bloomberg Finance L.P., USDA, CSOB

Soybeans & soybean meal

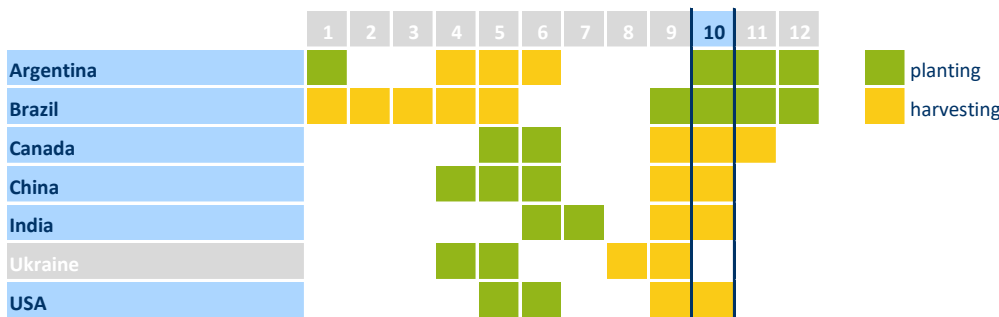
Period	Soybean meal * (EUR/t)
2021M11	
2021M12	281.90
2022M01	280.39
2022M02	
2022M03	280.59
2022M04	
2022M05	282.87
2022M06	
2022M07	285.91
2022M08	285.77
2022M09	285.10
2022M10	283.31

*Indicative price of futures contract



Money Managers' positions in soybean futures, CBOT.

Monthly planting & harvesting calendar, key producers

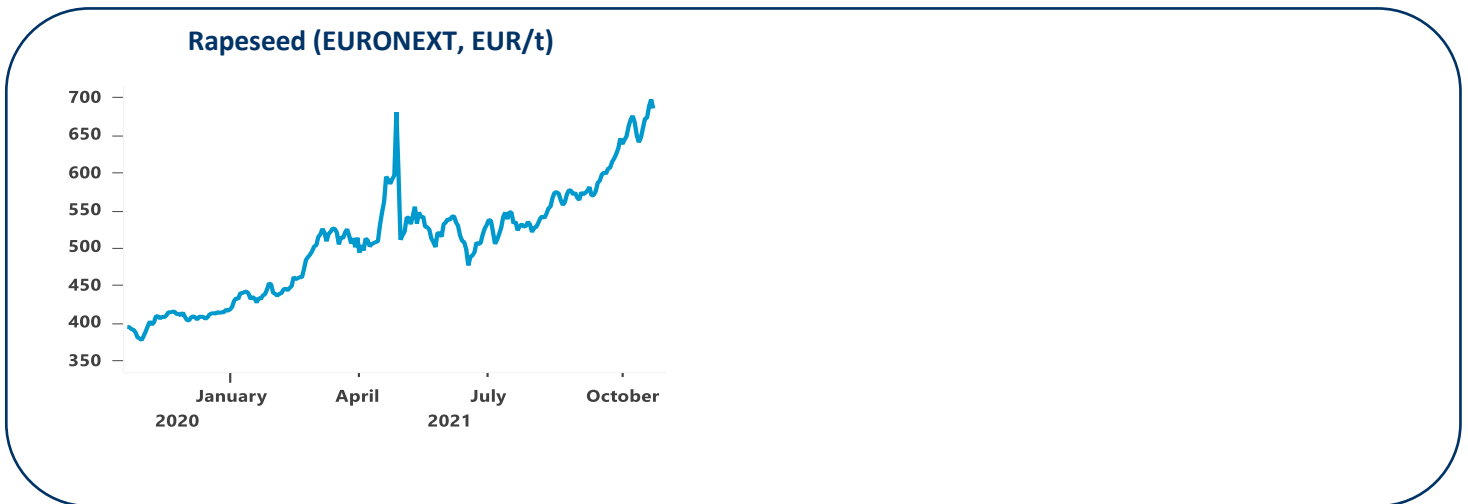
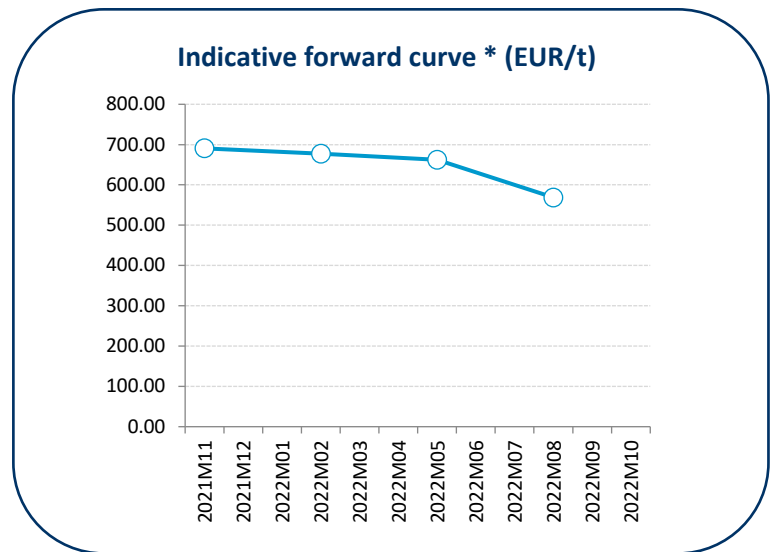


Source: Bloomberg Finance L.P., USDA, CSOB

Rapeseed

Period	Rapeseed * (EUR/t)
2021M11	690.55
2021M12	
2022M01	
2022M02	677.46
2022M03	
2022M04	
2022M05	661.98
2022M06	
2022M07	
2022M08	568.83
2022M09	
2022M10	

*Indicative price of futures contract



Global production, consumption & stocks of selected agricultural commodities (MM t)

	Rapeseed			Corn			Wheat			Soybeans		
	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21
Beginning Stocks	10	8	6	323	306	281	283	298	289	115	96	93
Production	69	72	70	1119	1115	1186	764	776	777	340	363	384
Consumption	71	74	71	1135	1141	1182	749	785	787	359	366	380
Ending Stocks	8	6	5	306	281	285	298	289	279	96	93	96
Stocks-To-Cons (%)	10.6	7.8	6.4	27.0	24.6	24.1	39.8	36.8	35.5	26.7	25.3	25.3

Dark blue figures are forecasts

Source: Bloomberg Finance L.P., USDA, CSOB

Base Metals

Copper (LME cash, USD/t)

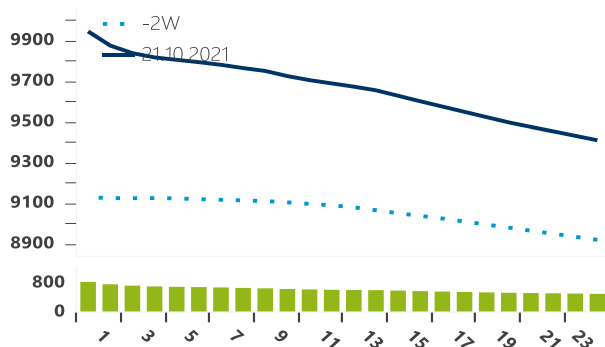


Price (on warrant), LME.

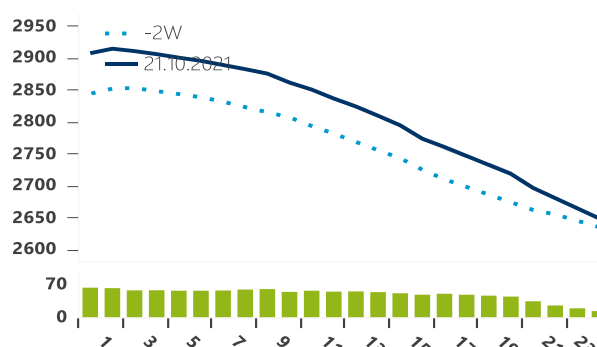
Aluminium (LME cash, USD/t)



Price (on warrant), LME.



Forward curve (top) & 2W change (bottom).



Forward curve (top) & 2W change (bottom).

	Copper		Aluminium		Zinc		Lead	
	USD/t	EUR/t	USD/t	EUR/t	USD/t	EUR/t	USD/t	EUR/t
2021M11	10050	8630	2899	2490	3470	2979	2443	2098
2021M12	9998	8580	2900	2489	3455	2965	2431	2087
2022M01	9972	8549	2896	2483	3440	2949	2421	2075
2022M02	9956	8529	2891	2477	3421	2931	2410	2065
2022M03	9944	8514	2886	2471	3400	2911	2402	2056
2022M04	9933	8498	2880	2464	3383	2894	2394	2048
2021Q4	10043	8622	2898	2488	3467	2977	2440	2095
2022Q1	9958	8531	2891	2477	3421	2930	2411	2065
2022Q2	9917	8478	2873	2457	3362	2874	2384	2038
2022Q3	9862	8413	2845	2427	3289	2806	2356	2010
2021FY	10043	8622	2898	2488	3467	2977	2440	2095
2022FY	9886	8442	2853	2437	3319	2834	2370	2024

Indicative swap prices.

Source: Bloomberg Finance L.P., CSOB

Contacts

Brussels Research (KBC)		Global Sales Force	
Mathias Van der Jeugt	+32 2 417 51 94	Brussels	
Peter Wuyts	+32 2 417 32 35	Corporate Desk	+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95	Institutional Desk	+32 2 417 46 25
		France	+32 2 417 32 65
Dublin Research		London	+44 207 256 4848
Austin Hughes	+353 1 664 6889	Singapore	+65 533 34 10
Shawn Britton	+353 1 664 6892		
Prague Research (CSOB)		Prague	+420 2 6135 3535
Jan Cermak	+420 2 6135 3578		
Jan Bures	+420 2 6135 3574		
Dominik Rusinko	+420 2 6135 3506		
Bratislava Research (CSOB)		Bratislava	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
Budapest Research (K&H)		Budapest	+36 1 328 99 85
David Nemeth	+36 1 328 9989		

ALL OUR REPORTS ARE AVAILABLE ON WWW.KBCCORPORATES.COM/RESEARCH

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

